



State of Utah
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING

Michael O. Leavitt
Governor

Kathleen Clarke
Executive Director

Lowell P. Braxton
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December 20, 2000

E. M. Buzz Gerick
Vice President of Operations
Western States Minerals Corporation
250 South Rock Boulevard, Suite 118
Reno, Nevada 89502

Re: Acknowledgement of Request for Release of Reclamation Surety, Drum Mine Site,
Western States Minerals Corporation (WSMC), M/027/007, Millard County, Utah

Dear Mr. Gerick:

Thank you for your recent letter dated December 6, 2000, wherein you formally notified our Division that WSMC has completed its reclamation obligations at the Drum Mine, as required under Section 2, of the First Amended Settlement and Reclamation Agreement. You attached an itemized invoice to your letter requesting payment of the balance of remaining funds from the forfeited Jumbo Performance Bond and release of WSMC's reclamation surety bond.

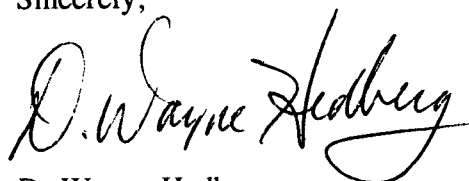
Pursuant to Section 2 of the Agreement, upon receipt of WSMC's notice, the BLM and Division have 60 days, after consulting with DWQ, to inspect the site with WSMC and to inform WSMC if we agree that all requirements have been met. If the agencies do not agree, then they will notify WSMC of any unfulfilled requirements. As you know, the Division performed a series of onsite inspections during the course of WSMC's reclamation work. The last inspection by the Division, the BLM and WSMC representatives occurred on November 28, 2000.

Overall, we are very pleased with the timeliness and quality of the reclamation work performed by WSMC. However, as you will recall, during our joint November 20, 2000, inspection of the SWEX pit reclamation work, we stressed a remaining concern regarding some of the underground openings that were not adequately closed. We discussed possible options for closing the remaining openings with you at that time (see attached inspection memo). You indicated that you would evaluate the options and get back to us with your preferred closure proposal. Your December 6th letter does not address these unreclaimed features, or provide a cost assessment describing the work that was performed in the SWEX pit.

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Until this issue is resolved, we will suspend making a final decision regarding WSMC's release request. Thank you again for your continued cooperation and patience in completing the reclamation work at the Drum Mine site. If you have questions regarding this letter, please contact me at (801) 538-5286.

Sincerely,

A handwritten signature in black ink that reads "D. Wayne Hedberg". The signature is written in a cursive, flowing style with a large, prominent "D" and "H".

D. Wayne Hedberg
Permit Supervisor
Minerals Reclamation Program

jb

Attachment: 11/20/00 inspection memo

cc: John Carmody, WSMC
Sally Wisely, BLM, Utah State Office
Rex Rowley, BLM Field Office Manager
Don Ostler, DWQ
Mary Ann Wright, DOGM

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November 30, 2000

TO: Minerals File

FROM: Doug Jensen, Senior Reclamation Specialist *D. Jensen*

RE: Site Inspection, Western States Mining Company, Drum Mine Project, M/027/007,
Millard County, Utah

Date of Inspection: November 20 & November 28
Time of Inspection: 8:30 a.m.
Conditions: Cool
Participants: Chuck Cundick & Gaelen Cropper, WSMC; Larry Garahana, BLM; and Doug Jensen, DOGM

Purpose of Inspection: To inspect reclamation work done to date

November 20

Western States Mineral Company (WSMC) requested that DOGM inspect the site to review the reclamation done to date for possible release. On November 20, I inspected the site and found that ripping done on the LG2 and LG3 dumps had been done incorrectly. The slopes had been ripped counter-contour and at a 45 degree angle instead of on contour as required. There was a concern of erosion due to the orientation of this ripping. I spoke to Chuck and he indicated that they would bring the D6 back out to complete this work. Gaelen had attempted to rip these areas with the D9L but the cat only has two rippers (three was requested) and he had a problem holding the cat on the slope of these dumps.

On a site visit on November 14th, Wayne Hedberg, Lynn Kunzler and I inspected the work that had been done on the open adits in the SWEX pit. The open adits in the upper area had been closed by the trackhoe and looked very good. WSMC had attempted to close the open areas in the lower areas of the pit. Some of the open adits had been filled with material but there were still three open areas that could still be entered. Buzz Gerick of WSMC was on the site to view the aerial seeding effort so we showed him the areas of the adits that we were concerned with. We discussed the possibility of plaster blasting the openings in an attempt to close them. Buzz also mentioned the possibility of drilling several holes from the upper benches and deck-loading the holes to cause the area above the open adits to fail. He stated that the cost of this effort would be at an additional cost. We stated that these open adits were still a concern and further work was needed to close them.

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Several hundred feet of the fence had been taken down in order to complete reclamation of a small portion of the site. This fence had not been put back yet at the time of my November 22 inspection. I requested that this work be completed before release of the site could be considered. The reclamation contract with WSMC required that any fences removed by the reclamation effort would be reinstalled.

I inspected the reclamation work that had been completed in the Mitzpah and Alto Area. The Alto is a small pit opened by Jumbo Mining ~one mile from the Drum Mine site. This area and the haulroad connecting the two sites were also scheduled for reclamation. In the Mitzpah Area there were some drill holes and access roads that had to be reclaimed.

The reclamation work that I viewed in the Mitzpah look very good. Because reclamation work in this area had been scheduled by the BLM, I was not sure what had been required of WSMC in this area. The Alto haulroad had been ripped from the Drum mine to the Mitzpah (approximately ½ of the total road) had been ripped, but the portions of the road where side slopes were located had not been reclaimed.

The reclamation work in the Alto Pit area looked good. In this area, the scheduled reclamation was the pit area and an access road. The entire impacted area was approximately three to four acres, which is located entirely on private ground. The work was satisfactory and this area can be released when the Drum site is completed.

The upper portion of the Alto haulroad had not been completed at the time of this visit. The haulroad is located on and the reclamation requirements had been dictated by the BLM. In a conversation with Chuck, later in the day, he stated that the trackhoe was going to complete the haulroad reclamation later in the week.

When I returned to the site, Gaelen and Chuck were waiting for me. I told them of the problems that I had noted during my inspection. Because of the problems with trying to use the D9L on the side-slopes, Chuck stated that they would bring the D6 back out from Delta to re-rip the two slopes. He also stated that the fence was scheduled for completion as soon as they finished the other dirt work at the site.

As I left the site I stopped at the well site to inspect the work being done by the D9L on several holding ponds in that area. This site is located in the flat approximately four or five miles from the site. The ponds had been filled in and Gaelen was scheduled to smooth up the area then rip and seed. Otherwise the pond area and the well site area looked good.

November 28

In a conversation with Chuck on November 27th, he indicated that the work I had requested had been completed. I scheduled a site inspection the following day to view the work. I also attempted to contact the BLM, to notify them of this visit and if possible to coordinate a joint inspection of the site.

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I inspected the re-ripping work done on LG2 & LG3, the work done was satisfactory. Pictures were taken of the work done to date.

When I returned to my vehicle, Larry Garahana of the BLM, had arrived and we discussed the areas that had been inspected. He stated that he had inspected the work that had been completed in the Mitzpah area and he was satisfied with the effort. Larry and I had viewed the reclamation of the mine site as it had progressed. We felt that the effort was satisfactory and we would inform our supervisors of our observations.

Chuck and Gaelen was completing the fencing and stated that the opening at the main gate of the site would be closed. When that work was completed they contemplated removing WSMC's equipment from the site.

With the exception of the adits in the SWEX pit, this was the last of the work that I felt needed to be completed to allow WSMC to apply for a release of the Drum reclamation bond.

jb
cc: Buzz Gerick, WSMC
Rex Rowley, BLM, Filmore FO
Larry Garahana, BLM, Filmore FO
Mary Ann Wright, DOGM
Wayne Hedberg, DOGM
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